

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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ANDIN INTERNATIONAL, INC., :

Plaintiff, :

-against- : Civil Action No. 08 cv 1159 (HB)

YURMAN STUDIO, INC., :

Defendant. :

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YURMAN STUDIO, INC., :

Defendant- :

Counterclaimant, :

-against- :

ANDIN INTERNATIONAL, INC. and :

VARDI GEM LUSTRE, LLC :

Counterclaim- :

Crossclaim Defendants. :

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**REPLY DECLARATION OF OFER AZRIELANT SUBMITTED IN  
SUPPORT OF PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT**

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Ofer Azrielant declares as follows:

1. I am Chairman of Andin International, Inc. ("Andin"), and I submit this reply declaration in support of Andin's motion for summary judgment.
2. Jewelers' Circular Keystone (JCK) is the jewelry industry's leading trade publication and industry authority, and has been for over 100 years. On July 2, 2008, JCK

published an article which explained a survey related to consumer awareness of fine jewelry among consumers that purchased fine jewelry over the last two years.

3. Attached hereto as Exhibit CC is a true and accurate copy of the aforementioned article.

4. On May 6, 2008 I was deposed in this case. At my deposition, Yurman's counsel Louis Ederer asked me for all contact information concerning Mr. Moshe Vardi. Using my Blackberry, I provided Mr. Ederer with Mr. Vardi's cell phone number.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 10, 2008  
New York, New York

  
\_\_\_\_\_  
Ofer Azrielant

**EXHIBIT CC**

JCK India

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## The JCK-Harrison Group Consumer Jewelry Study

**When buying fine jewelry, shoppers most often identify with the retailer. So say respondents to the JCK-Harrison Group consumer market study of fine jewelry. In the first of a series, JCK presents highlights from exclusive new research into consumer attitudes about buying jewelry. This month, we focus on brand recognition, the price-value equation, and the sales experience.**

*By Hedda T. Schupak, Editor-in-Chief -- JCK-Jewelers Circular Keystone, 7/1/2008*

Which brand of jewelry has the most name recognition among consumers?

Would you believe, none? That's right—zero.

When asked the open-ended question, *Thinking about fine jewelry, what brand or company that makes and/or sells jewelry comes to mind first?* respondents to the JCK-Harrison Group consumer Jewelry Study named Zales—a retailer—as the No. 1 jewelry brand. Rival mall retailer Kay Jewelers ranked second in unaided brand recall, though it tied with Zales and Tiffany & Co. in aided recall.

The study, conducted by the Harrison Group and JCK in April 2008, polled 908 demographically and regionally balanced respondents who purchased fine jewelry within the previous two years. The results delivered a statistically projectable sample of consumer attitudes about fine-jewelry shopping and ownership.

The findings indicate that, even after a decade of stepped-up consumer advertising, the majority of jewelry consumers still think of the retailer—not the product brand—first.

Responses to the unaided-recall question were grouped by frequency. Zales was the name mentioned most frequently by multiple respondents, but the most common response was “other,” meaning that 57 percent of respondents wrote the name of a local independent jeweler, regional chain, Web site, or brand—but none garnered enough responses to place in the top 10. Respondents were then asked, *And what other jewelry brands or companies come to your mind next?* and could name as many as they wished.

Both Zale Corp. and Sterling Inc. (parent company of Kay) twice made the top 10 list of brands named in unaided recall. In addition to the flagship brands, Jared – The Galleria of Jewelry, another division of Sterling, ranked No. 4, and the Gordon's division of Zale Corp. was No. 10.

Two of the top 10 brands, Rolex and Seiko, aren't retailers (or jewelry brands), and another—De Beers—is a relative newcomer to the retail arena. Tiffany and Cartier, cited as Nos. 3 and 8 respectively, could be considered jewelry brands, but both have a strong retail component.

JCK last conducted a broad-based consumer research study in 1999, when 200 consumers were polled by telephone. The JCK-Harrison study polled 908 consumers via a 70-question online survey. (See Methodology, page 69.)

JCK's 1999 study asked about brand familiarity using aided recall only. Respondents were asked how familiar they were with a series of brand names. The top four were Tiffany, Cartier, De Beers, and Van Cleef & Arpels. Forty-two percent were “very familiar” with Tiffany, 35.5 percent very familiar with Cartier, 20.6 percent with De Beers, and 16.4 percent with Van Cleef & Arpels. After that, recognition plummeted—Henry Dunay received the next highest score, 4.8 percent.

In the years since that study, there's been a huge increase in the number of jewelry advertising pages in consumer fashion, lifestyle, and shelter magazines, especially among fashion-oriented designers like David Yurman and Roberto Coin. Yurman, especially, also has been establishing

branded stores in upscale shopping areas. Thus, one might assume his brand and ones like Hearts On Fire and Scott Kay—household names in the industry—would be cited in unaided recall, especially among affluent shoppers.

Yet they weren't. Even breaking out results by income and region barely affected results. The top five names—Zales, Kay, Tiffany, Jared, and De Beers—remained the same. Rolex and Helzberg Diamonds switched places, Cartier dropped off the top 10, and J.C. Penney came on, but David Yurman, Roberto Coin, Scott Kay, Hearts On Fire, and popular names like Mikimoto and ArtCarved didn't make the top 10 at all.

In aided awareness ("Please indicate which of the following designer jewelry brands you have heard of"), the highest-ranking product brand was Keepsake at No. 6, with 64 percent of respondents naming it. Hearts On Fire was No. 11 (35 per-cent) and Mikimoto was No. 12. ArtCarved, H.Stern, and Damiani rounded out the top 15; Scott Kay ranked 16; and David Yurman, named by 21 percent of respondents, ranked 17.

Among affluent consumers (annual household income above \$125,000), David Yurman moved up to 14th place, with 39 percent of affluent respondents indicating they've heard of the brand. Scott Kay (31 percent) remained in 16th place—now tied with Lagos.

David Yurman, Lagos, and Roberto Coin were named in the 1999 survey, ranking 6, 7, and 8 respectively, with "very familiar" percentages of 4.3 per-cent, 4.1 percent, and 4.1 percent. (Scott Kay didn't appear on that list.) Recall numbers for 2008 were much higher, which isn't surprising after a decade of advertising, but the 2008 survey gauged whether respondents had "heard of" the brand, not if they were "very familiar" with it.

When asked what jewelry brands they own, respondents again named Zales and Kay as Nos. 1 and 2. The remaining top brands owned were: Tiffany, De Beers, Keepsake, Cartier, ArtCarved, Bulgari, Bailey Banks & Biddle, Mikimoto, Harry Winston, Hearts On Fire, Scott Kay, David Yurman, H.Stern, Van Cleef & Arpels, Damiani, Judith Ripka, John Hardy, Le Vian, Marco Bicego, Ritani, Roberto Coin, and Tacori.

Retailers were surprised—but gratified—to learn that, for fine jewelry, it's still a retailer's world. Not everyone was surprised. Designer Lecil Henderson, of Charlotte, N.C., meets a lot of consumers through store visits. He said, "Once you get away from the country club, I don't know how many ladies really know the big brands. And let's face it—the country club set really is a relatively small percentage of the total."

#### The Price Point

When asked, *What one word comes to mind if asked to describe what you think about jewelry stores?* the most common responses were "overpriced" and "expensive," with 37 percent of respondents selecting one of those words. The next most common responses—chosen by 3 percent—were "fun" and "money."

Price has become even more of an issue with consumers since the advent of Blue Nile and other Web sites where prices are not only transparent but also often lower than jewelry-store prices for comparable items. It doesn't mean consumers won't pay more to buy an item from a jeweler, but they will insist on a valid reason for the higher price.

"There's a huge price spectrum in any category, but sometimes there isn't a justifiable spread for the same product," says Dr. Jim Taylor, vice chairman of the Harrison Group. He cites previous Harrison Group research showing that for a 1.00 ct., E color, VVS1 diamond engagement ring, a consumer expects to pay about \$9,500 in an independent jewelry store, \$12,000 at Tiffany, \$15,000 at Cartier, and \$18,000 at Harry Winston. But Tiffany, Cartier, and Harry Winston have earned the right to charge a premium—the majority of jewelers have not. "What ticks people off is when somebody operates outside the [price] spectrum in a way that implies the customer is stupid," Taylor says.

There are no deals on the best stuff in any category, says Taylor. Deals start to happen on the next tier down. "It's why people don't try to bargain on a six-series Mercedes, and there are no deals on a 25 ct. stone. But you do get deals on a three-series Mercedes."

Taylor says deals on jewelry can confuse and frustrate consumers. When a stone that retails for \$50,000–\$60,000 in a jewelry store is comparable in color and clarity to one that's listed for \$26,000 on Blue Nile, consumers feel they risk being taken advantage of—and they get angry.

Research by the Diamond Promotion Service closely correlates the Harrison Group findings. "When we ask people where they feel they get good value for their money, the No. 1 answer is

always Tiffany," says David Sisson, former director of market intelligence for DPS. "It's all about the brand perception, and consumers believe in the little blue box."

"Every independent jeweler had better have an answer on the tip of their tongue as to why their price is higher [than online or discounters]," says Claudia Rose, DPS director. "They'd better answer without hesitating, and the answer has to make sense to the consumer. It can't just be technical mumbo jumbo."

Douglas Hucker, executive director of the American Gem Trade Association, also emphasizes the need for emotional, not technical, appeal at the sales counter. "We [the jewelry industry] focus on the internal combustion engine instead of selling zero to 60 in 4.6 seconds," he analogizes.

Jewelers worry about price competition from the Internet, but Hucker sees department stores as the bigger threat. "They know how to market jewelry as fashion, and put together a look. Consumers see a [hand]bag, they see the cost, and they know what it represents. They get the message," he says. "Our industry doesn't sell emotion as much as it sells price. We have to reconnect the emotional appeal."

"People buy jewelry to mark significant events in their lives. They mark the moments of life they value the most," says Taylor, who reminds jewelers that it includes self-purchases.

Hucker points out that nothing engages a customer more than a compliment on what they're wearing—or seeing someone else wearing something they like. There isn't enough training in that kind of selling, and too few sales associates wear enough jewelry, he says. Most apparel stores require sales associates to wear the current season's merchandise, an idea jewelers should emulate.

"We don't engage salespeople enough in the process of wearing jewelry, touting jewelry, and having it become a lifestyle by making it accessible to them," Hucker says.

Consumers also want to see prices without asking, yet jewelers remain reluctant to show prices, either in the case or online. "This comes up over and over in our research," says Rose. "Jewelers say they don't want their competition to see their pricing, but what's to stop them from sending their mother-in-law in [as a mystery shopper]?"

Many jewelers simply don't want their cases cluttered with price tags or signs. That's understandable, says Sisson, but there are tasteful ways around it. "Robbins Bros. in California does a great job ranging cases. [They have signs saying] 'Items in this case range from \$3,000 to \$5,000.' Then the customer knows if that case is for him or not. Or, jewelers can have a catalog or look book available for customers to browse, showing prices of all the items in their cases." The point is to let customers feel comfortable shopping and not fear humiliation—which many do. "Sometimes people just want to learn on their own, 'Can I afford this case?'" says Rose. "It's humiliating to the customer to find out a bracelet they thought was \$4,000 is \$40,000."

Closely related to the price issue is the sales experience. In the JCK-Harrison study, good news emerged on that front. When asked to rate their most recent jewelry-buying experience on a scale of 1 to 10, with 10 being outstanding and 1 terrible, 69 per-cent of respondents overall rated their experience 8 or higher, and 15 percent rated it 7. Only 15 percent rated it below 7, and nobody gave it a 1 or 2.

When asked what they didn't like about the shopping experience, 56 percent of respondents cited a negative experience with a salesperson, and only 13 percent cited price. Problems with a salesperson fell into a few distinct categories: high-pressure selling, snobby attitudes, waiting too long for assistance, or associates who weren't knowledgeable. (When money was the factor, answers generally focused on the price/value equation or simply the cost of fine jewelry—either the customer was reluctant to make a large purchase at all, or couldn't afford what they want.)

Claudia Rose says one of the biggest problems at the counter is how sales associates treat browsers. Browsers are an opportunity to develop fruitful relationships, yet associates frequently ignore them. "Consumers tell us they do an enormous amount of browsing," she says. "It might be years before they buy. Associates are frequently taught, 'Close today,' but that's what annoys customers the most. Someone might just be beginning their research, and if they feel pressured to buy today, they won't go back to that store."

Sales training typically uses the "overcome objections" method, says Taylor. But that assumes the customer is "against" you, and that's not the case. "One-hundred percent of the people we talk to love this business," he says. "It's very rare to find someone who doesn't like jewelry. ... When people first get affluent, the first thing they buy is better jewelry."

The real issue isn't the goods, it's the service, he says. The salesperson should prevent the customer from making a mistake and celebrate the result of the purchase. That kind of service is more typical of a family-owned jewelry store than a chain, because someone from the family develops—and supervises—retailer/client relationships.

Jewelry salespeople should act more like docents, Taylor says. Every meaningful purchase includes what he calls the ritual of reception, which is why, in higher-end stores, the salesperson will walk out from behind the counter and present the parcel to the customer with two hands, rather than handing it over the counter. The salesperson/docent should celebrate the purchase as much as the customer, especially since most of today's jewelry consumers—even the affluent—grew up middle class, where jewelry ownership wasn't a big part of their lifestyle.

Finally, Taylor suggests, because jewelry is a diary of the customer's life, jewelers can build a clever and practical marketing tool around it: Give the customer a beautifully designed insurance scheduling form in the guise of a diary. It's emotional, which suits the jewelry, and highly practical, appealing to the customer's middle-class sensibility.

## Methodology

Quantitative research was conducted with people who have purchased fine jewelry for either themselves or someone else or who have received jewelry as a gift in the past two years. Additional criteria included:

- All are between the ages of 25 and 65
- All have a total annual household income of \$50,000 or more (before taxes)
- Data collection took place between April 1 and April 8, 2008, via an online questionnaire using Harrison Group's proprietary Synapse Software; 906 questionnaires were completed
- Questionnaire completion averaged 21 minutes in length
- Minimal weights were applied to known demographics

Percentage of respondents who identified these jewelry brands as top of mind (unaided recall)  
TOP 10

<b>Zales</b>	<b>33%</b>
Kay	27%
Tiffany	23%
Jared	11%
De Beers	7%
Rolex	6%
Helzberg	6%
Cartier	4%
Seiko	4%
Gordon's	3%

Percentage of respondents who identified these watch brands as top of mind (unaided recall)  
TOP 10

<b>Timex</b>	<b>55%</b>
Rolex	53%
Seiko	31%
Bulova	16%
Movado	12%
Citizen	12%
Fossil	11%
Tag Heuer	9%
Casio	8%

Omega 5%

Percentage of respondents  
indicating awareness of jewelry  
brands (aided recall)  
TOP 10

<b>Zales</b>	<b>98.3%</b>
Tiffany	<b>98.1%</b>
Kay	<b>98%</b>
Cartier	<b>90%</b>
De Beers	<b>78%</b>
Keepsake	<b>64%</b>
Bulgari	<b>60%</b>
Van Cleef & Arpels	<b>47%</b>
Harry Winston	<b>45%</b>
Bailey Banks & Biddle	<b>42%</b>

Percentage of respondents  
indicating ownership of  
jewelry brands  
TOP 10

<b>Zales</b>	<b>41%</b>
Kay Jewelers	<b>40%</b>
Tiffany	<b>21%</b>
De Beers	<b>14%</b>
Keepsake	<b>14%</b>
Cartier	<b>13%</b>
ArtCarved	<b>9%</b>
Bulgari	<b>9%</b>
Bailey Banks & Biddle	<b>8%</b>
Mikimoto	<b>8%</b>

Percentage of respondents who,  
in an open-ended question,  
chose one word to describe their  
thoughts about jewelry stores

<b>Expensive/Overpriced</b>	<b>37%</b>
Fun	<b>3%</b>
Money	<b>3%</b>
Other	<b>57%</b>

Percentage of  
respondents who rated  
their last jewelry-  
purchasing experience  
positive (8 or higher),  
on a scale of 1 to 10.

**69% said "positive"**

Percentage of respondents who cited these  
reasons for their last negative jewelry-purchasing  
experience

<b>Negative experience with salespeople</b>	<b>56%</b>
Don't like jewelry shopping	<b>19%</b>
Pricing/overpriced	<b>13%</b>

Percentage of respondents who strongly or somewhat agree  
with each statement

<b>I wish jewelry stores would show prices</b>	<b>85%</b>
I only purchase jewelry that I believe is priced fairly	<b>83%</b>
I believe most jewelry is overpriced	<b>82%</b>

Jewelry is a gift of love **81%**  
I prefer when jewelry store Web sites show the price **81%**

Percentage of respondents who prefer each sales behavior

**Want to be left alone, no help unless I ask** **68%**  
Want to have store associates help throughout the process **29%**  
I avoid salespeople altogether **3%**

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